

Message Text

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DRAFTED BY ARA/PAN:MR. MILLAN/EB/IFD/OIA:D V GRANT
APPROVED BY ARA:J BUSHNELL
ARA/PAN:J C HAAHR
L/ARA:T FORTUNE

-----110569 301804Z /43

R 301517Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY PANAMA

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: CITRICOS EXPROPRIATION CASE

REFS: (A) PANAMA 3301; (B) S/STATE 125402; (C) STATE
137456

1. THE CITRICOS CASE WAS REVIEWED AT A JUNE 22 MEETING
OF THE U.S. INTERAGENCY EXPROPRIATION GROUP. IN LIGHT
OF EVIDENCE THAT THE CASE IS DEADLOCKED ON THE QUESTION
OF THE VALUATION OF THE COMPANY'S LAND, THE GROUP REACHED
A CONSENSUS THAT NON-BINDING, THIRD PARTY EVALUATION OF
THE LAND BY AN INDEPENDENT EXPERT CHOSEN BY BOTH PARTIES
MIGHT SERVE TO GET NEGOTIATIONS MOVING AGAIN. IF SUCH
AN EVALUATION SUPPORTS A HIGHER PRICE THAN THE GOP HAS
OFFERED, IT MIGHT GIVE PLANNING MINISTER BARLETTA A
GRACEFUL WAY OF BACKING AWAY FROM HIS PREVIOUS REFUSALS
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TO PAY CITRICOS A HIGHER PRICE.

2. WE HAVE INFORMED CITRICOS COUNSEL NORMANDEAU, THAT
AT ITS JUNE 22 MEETING, THE INTERAGENCY GROUP CONCLUDED
THAT A FINDING OF EXPROPRIATION AND IMPOSITION OF LEGIS-
LATIVE SANCTIONS WOULD NOT BE APPROPRIATE AT THIS TIME.
WE ALSO INFORMALLY DISCUSSED WITH HIM THE IDEA OF THIRD

PARTY EVALUATION, INDICATING HOWEVER THAT WE WOULD NEED

TO CONSULT FIRST WITH EMBASSY PANAMA BEFORE PROCEED-
ING. WHILE NORMANDEAU HAS BEEN RELUCTANT IN THE PAST
TO ACCEPT SUCH A PROPOSAL (REF C), HE DID NOT REJECT
IT OUT OF HAND ON THIS OCCASION, BUT NOTED THAT HE
WOULD HAVE TO DISCUSS IDEA WITH HIS PRINCIPAL, MR.
LUDWIG. AT HIS REQUEST, WE AGREED TO CONTACT THE GOP
TO CONFIRM ITS REJECTION OF THE CITRICOS OFFER, AND TO
INQUIRE ABOUT PLANS FOR FUTURE MEETINGS BETWEEN THE
PARTIES TO DISCUSS THE CASE.

3. ACTION REQUESTED: WE WOULD APPRECIATE EMBASSY'S
CONTACTING GOP ABOUT NORMANDEAU REQUEST FOR INFORMATION
(PARA 2). IN DOING SO, EMBASSY MAY WISH TO SOUND OUT
APPROPRIATE GOP OFFICIALS INFORMALLY ABOUT POSSIBILITY
OF THIRD PARTY EVALUATION OF CLAIM. IN ANY EVENT,
EMBASSY SHOULD REPORT ITS ASSESSMENT OF CHANCES GOP
WOULD GO ALONG WITH SUCH A PROCEDURE IF IT WERE RAISED
IN AN APPROACH SUCH AS THAT DESCRIBED IN PARA 4.

4. FYI: OUR STRONG PREFERENCE IS TO PURSUE IDEA OF
THIRD PARTY EVALUATION AS MEANS OF BREAKING DEADLOCK.
WE BELIEVE CITRICOS WILL APPROVE. IF PROSPECTS FOR
GOP APPROVAL ARE ALSO JUDGED FAVORABLE, DEPARTMENT
WOULD AUTHORIZE EMBASSY TO MAKE FORMAL APPROACH, AND
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AT SAME TIME UNDERLINE DIFFICULTIES POSED BY HICKENLOOPER
AND OTHER LEGISLATIVE PROVISIONS AS WELL AS POTENTIAL
PROBLEMS WITH CONGRESS IF CITRICOS CASE IS NOT ULTI-
MATELY SETTLED IN MUTUALLY SATISFACTORY MANNER. VANCE

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